



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 14, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *for*
Auditor-Controller

SUBJECT: **CITY OF LONG BEACH CONTRACT REVIEW – A DEPARTMENT OF
PUBLIC HEALTH HIV/AIDS CARE AND PREVENTION SERVICES
PROVIDER**

We completed a fiscal review of the City of Long Beach (Long Beach or Agency), a Department of Public Health (DPH) HIV/AIDS care and prevention services provider.

Background

DPH's Office of AIDS Programs and Policy (OAPP) contracts with Long Beach to provide HIV/AIDS medical outpatient care, psychosocial case management, treatment education, health education risk reduction outreach services and maintain a service provider network. The Agency is located in the Fourth District.

At the time of our review, the Agency had five cost reimbursement contracts with OAPP. The County paid the Agency approximately \$459,000 for the period March 2006 to April 2007. The contracts required the Agency to comply with the Ryan White Comprehensive AIDS Resource Emergency Act (CARE Act) and other federal and State program requirements.

Purpose/Methodology

The purpose of our review was to ensure that the Agency appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with the contract and applicable

federal and State fiscal guidelines governing the CARE Act. In addition, we determined whether the Agency provided services to eligible participants.

Results of Review

Overall, Long Beach maintained documentation to support services provided to eligible participants as required by the County contract. The Agency also maintained updated personnel files for their staff. However, the Agency billed OAPP \$42,629 in questioned costs. Specifically, Long Beach:

- Billed OAPP \$1,653 in unallowable program expenditures.
- Billed OAPP \$28,756 for payments made to a subcontractor that were not sufficiently documented.
- Reported expenditures of approximately \$12,220 on their cost reports that were not recorded in their accounting records.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Long Beach and OAPP on November 14, 2008. In their attached letter, Long Beach indicated that they agreed with the report and would provide a detailed response by March 31, 2009. However, as of May 14, 2009, the Agency has not submitted their detailed response or supporting documentation for the questioned costs. OAPP will follow-up to obtain a detailed response and repayment for unallowable expenditures.

We thank Long Beach for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Gerald R. Miller, City Manager, City of Long Beach
Nettle DeAugustine, Bureau Manager Prevention Health, City of Long Beach
Public Information Office
Audit Committee

**HIV/AIDS CARE AND PREVENTION SERVICES
CITY OF LONG BEACH
FISCAL YEAR 2005-06 AND 2006-07**

ELIGIBILITY

Objective

Determine whether the City of Long Beach (Long Beach or Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

Verification

We reviewed the case files for 15 program participants that received services from July to December 2006 for documentation to confirm the participants' eligibility for OAPP services.

Results

All program participants' case files contained documentation to support participants' eligibility to receive program services.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in Long Beach's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Long Beach personnel and reviewed the Agency's financial records. We also reviewed Long Beach's bank reconciliations.

Results

Long Beach's bank reconciliations were properly prepared. However, Long Beach did not record payments received from OAPP clients/patients in the appropriate accounts. The Agency was not able to identify the total amount of revenue from client fees for the OAPP Program.

Recommendation

1. Long Beach management ensure client fees are identified and recorded on the appropriate program accounts.

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed accounting records and reviewed supporting documentation for a sample of 12 non-payroll expenditure transactions charged to OAPP from March 2006 to January 2007, totaling \$46,046.

Results

Long Beach charged OAPP \$28,756 for payments made to a subcontractor that were not adequately supported. Specifically, the subcontractor's invoices did not detail the hours spent on OAPP activities, the billing rate and other charges.

Recommendation

2. Long Beach management provide appropriate documentation to support the expenditures to the subcontractor or repay the Department of Public Health (DPH) \$28,756.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether the Agency's fixed assets and equipment purchases made with program funds are used for the OAPP program and are safeguarded.

We did not perform testwork in this area, as Long Beach did not purchase fixed assets with OAPP funds.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures for nine program employees for November 2006 and January 2007, totaling \$21,207, to the Agency's payroll records and time reports. We also reviewed nine employees' personnel files.

Results

Generally, the employees' personnel files were maintained as required. However, Long Beach charged OAPP \$1,653 for employee benefits paid to a consultant which is an unallowable expenditure.

Recommendations

Long Beach management:

3. Repay DPH \$1,653.
4. Ensure expenditures are allowable.

COST ALLOCATION PLAN**Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract, and the Agency used the plan to appropriately allocate indirect expenditures.

We did not perform test work in this section as the Agency did not bill OAPP for any indirect costs.

Recommendation

None.

COST REPORTS

Objective

Determine whether the Agency's cost reports reconcile to the Agency's financial accounting records.

Verification

We traced the Agency's Cost Reports from March 2006 to February 2007 to the Agency's general ledger.

Results

The expenditures reported in Long Beach's Cost Reports exceeded their accounting records by approximately \$12,220.

Recommendations

Long Beach management:

5. Repay DPH \$12,220 or provide documentation to support the unsupported expenditures.
6. Ensure that their Cost Reports are supported by the Agency's accounting records.



CITY OF LONG BEACH

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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PREVENTIVE HEALTH

March 12, 2009

Wendy Watanabe
Auditor-Controller
County of Los Angeles Auditor-Controller
500 West Temple Street, Room 525
Kenneth Hahn Hall of Administration
Los Angeles, California 90012

Dear Ms. Watanabe:

Thank you for the opportunity of review your findings for the City of Long Beach Department of Health and Human Services, Preventive Health Bureau's audit on HIV Care and Prevention Services.

Upon review we believe that we have addressed the concerns that you have outlined in the report and will file with you our support of those corrections. We have addressed the issues with our cost reports and reconciliation with our expenditures. Additionally, with regard to the sub-contractor issue our Bureau has resolved that issue and have all supporting documentation that will support our expenditures of \$28,750.

Our response to the recommendations will be provided to your office by March 31, 2009.

Thank-you again for the opportunity to respond.

Sincerely,

A handwritten signature in cursive script, reading "Nettie DeAugustine".

Nettie DeAugustine
Bureau Manager Preventive Health

